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MARKETING SPREADS FOR EGGS AND FRYING CHICKENS IN THE UNITED STATES AND SELECTED CITIES

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MARKETING SPREADS FOR EGGS AND FRYING CHICKENS IN THE UNITED STATES AND SELECTED CITIES 1/

Farm-retail price spreads in the United States decreased 5 percent for eggs but increased about 4 percent for frying chickens from 1961 to 1962. Both prices received by farmers and prices paid by consumers for eggs purchased in retail stores were down about 6 percent in 1962 from the previous year. Farm values and consumer prices for ready-to-cook frying chickens both were higher in 1962 than in 1961, but consumer prices increased slightly more than farm values. The farm share of the retail dollar spent for eggs was the same in 1962 as in 1961; the farm share of the dollar spent for frying chickens was 1 cent higher than in the preceding year. This article describes recent prices and price spreads for eggs and frying chickens in the United States and in 11 selected cities.

Eggs

Marketing Spreads in the United States

Consumers who purchased eggs in retail stores in urban communities in the United States paid 3.1 cents a dozen less in 1962 than in 1961, and the farm value of these eggs averaged 2.1 cents lower in 1962 than in the preceding year (table 5). 2/ As a result of these price changes, farm-retail spreads narrowed 1.0 cent a dozen from 1961 to 1962, and the farm share of the retail price remained unchanged. Lower egg prices in 1962 resulted both from increased supplies and reduced demand. Increases in the number of laying hens on farms and in the rate of lay per bird resulted in increased production and more eggs moving into commercial channels in 1962 than in 1961. U. S. civilian per capita consumption in 1962, estimated at 324 eggs, was the lowest recorded in 20 years, though it was down only slightly from 1961. 3/

Marketing Spreads in Selected Large Cities 4/

Farm-retail spreads.--Farm-retail price spreads on Grade A large eggs in 10 major cities averaged 24.2 cents a dozen in 1962 -- an increase of 0.2 cent from 1961 (table 6). This increase resulted from a wider retail store spread. The farm-to-retailer segment of the farm-retail spread narrowed (figure 3). Ten-city averages of prices at all market levels declined from 1961 to 1962.

Gross price spreads increased from 1961 to 1962 in 6 of the 10 cities and decreased in 4. Boston had the biggest increase -- 2.3 cents a dozen. The biggest decrease was in Los Angeles -- 1.6 cents. Farm-retail spreads in 1962 were widest in New York and narrowest in Los Angeles.

1/ Prepared by Leo R. Gray, agricultural economist, Marketing Economics Division, ERS.

2/ The farm value is the average payment received by producers for 1.03 dozen eggs.

3/ The National Food Situation, NFS-103, ERS, USDA, Feb. 1963.

4/ This section is based partly on information from a study of monthly price spreads for eggs and poultry in selected large cities. Data were compiled from reports of the U. S. Bureau of Labor Statistics, USDA's Agricultural Marketing Service, State agencies, and private business firms.

Table 5.--Eggs and frying chickens: Retail price, farm value, farm-retail spread, and farmer's share of the retail price, United States urban areas, annual 1952-62, by months January 1961-December 1962.

Year and month	Eggs				Chickens (broilers and fryers, ready-to-cook)			
	Retail price per dozen 1/	Farm value 2/	Farm-retail spread	Farmer's share	Retail price per pound 1/	Farm value 3/	Farm-retail spread	Farmer's share
	Cents	Cents	Cents	Percent	Cents	Cents	Cents	Percent
1952	63.6	43.2	20.4	68	60.0	39.7	20.3	66
1953	66.8	49.0	17.8	73	58.5	37.0	21.5	63
1954	56.2	37.5	18.7	67	52.8	31.6	21.2	60
1955	58.1	40.1	18.0	69	54.8	34.6	20.2	63
1956	57.7	39.8	17.9	69	47.8	26.9	20.9	56
1957	54.9	36.6	18.3	67	46.7	25.9	20.8	55
1958	57.9	39.5	18.4	68	46.1	25.4	20.7	55
1959	50.8	32.1	18.7	63	42.0	22.0	20.0	52
1960	54.9	37.3	17.6	68	42.7	23.1	19.6	54
1961	54.9	36.5	18.4	66	38.5	19.3	19.2	50
1962 4/	51.8	34.4	17.4	66	40.7	20.8	19.9	51
1961--								
January	62.1	40.6	21.5	65	41.6	22.5	19.1	54
February	59.4	40.6	18.8	68	42.4	24.1	18.3	57
March	56.6	37.8	18.8	67	42.5	22.7	19.8	53
April	52.0	34.4	17.6	66	41.4	20.4	21.0	49
May	50.2	33.1	17.1	66	38.8	19.2	19.6	49
June	49.5	31.9	17.6	64	36.6	17.5	19.1	48
July	53.9	35.2	18.7	65	36.8	17.0	19.8	46
August	52.5	36.2	16.3	69	37.1	17.4	19.7	47
September	55.7	36.6	19.1	66	36.2	16.2	20.0	45
October	58.1	38.1	20.0	66	35.8	16.2	19.6	45
November	55.0	37.1	17.9	67	35.5	17.0	18.5	48
December	54.3	36.3	18.0	67	37.1	20.8	16.3	56
1962--								
January	55.3	36.5	18.8	66	40.4	21.9	18.5	54
February	56.1	37.3	18.8	66	42.6	22.7	19.9	53
March	52.7	34.0	18.7	65	42.6	22.3	20.3	52
April	49.5	32.4	17.1	65	40.2	20.3	19.9	50
May	47.4	29.8	17.6	63	39.6	19.6	20.0	49
June	44.6	29.0	15.6	65	39.9	19.6	20.3	49
July	46.4	30.4	16.0	66	39.1	20.3	18.8	52
August	48.2	33.5	14.7	70	40.4	21.0	19.4	52
September	55.4	37.3	18.1	67	41.8	22.3	19.5	53
October	56.1	37.4	18.7	67	40.8	20.4	20.4	50
November	54.2	37.7	16.5	70	41.5	19.6	21.9	47
December	55.8	37.5	18.3	67	39.0	20.0	19.0	51

1/ Estimated average prices of all eggs or frying chickens sold to consumers in retail stores in urban communities, based on prices collected by the Bur. of Labor Statistics.

2/ Average payments received by producers for 1.03 dozen eggs.

3/ Payment to producers for 1.37 pounds of live weight chicken, the equivalent of 1 pound ready-to-cook weight.

4/ Preliminary.

Table 6.--Eggs, Grade A or better quality, large and medium: Prices per dozen and price spreads at various market levels, 10-city average 1961 and 1962, selected cities 1962

Item	10-city average 1/		Boston	New York	Baltimore	Washington D.C.
	1961	1962				
	Cents	Cents	Cents	Cents	Cents	Cents
Large:						
Prices:						
Retail	58.8	55.5	61.3	60.8	58.8	59.0
To retailers	49.0	45.2	46.8	45.8	49.7	48.6
To city receivers	40.0	---	---	36.9	37.1	39.2
Farm 2/	34.8	31.3	35.8	30.2	30.4	33.6
Spreads:						
Farm-retail	24.0	24.2	25.5	30.6	28.4	25.4
Retail store	9.8	10.3	14.5	15.0	9.1	10.4
Farm-retailer	14.2	13.9	11.0	15.6	19.3	15.0
Receiver-retailer	9.0	---	---	8.9	12.6	9.4
Farm-receiver	5.2	---	---	6.7	6.7	5.6
Medium						
Prices:						
Retail	50.9	47.8	53.3	50.1	3/ 49.2	51.7
To retailers	42.1	38.8	39.7	38.2	42.8	41.7
To city receivers	33.3	---	---	30.6	31.0	32.6
Farm 2/	27.8	25.0	29.6	23.5	23.5	25.6
Spreads:						
Farm-retail	23.1	22.8	23.7	26.6	25.7	26.1
Retail store	8.8	9.0	13.6	11.9	6.4	10.0
Farm-retailer	14.3	13.8	10.1	14.7	19.3	16.1
Receiver-retailer	8.8	---	---	7.6	11.8	9.1
Farm-receiver	5.5	---	---	7.1	7.5	7.0

	Atlanta	Cleveland	Chicago	St. Louis	Los Angeles	San Francisco	Seattle 1/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Large:							
Prices:							
Retail	52.3	55.1	52.6	52.8	50.5	51.6	53.8
To retailers	42.6	46.2	45.6	42.7	41.8	42.7	47.0
To city receivers	---	37.4	32.6	---	37.5	37.2	---
Farm 2/	31.7	28.5	26.2	31.3	35.9	29.1	33.9
Spreads:							
Farm-retail	20.6	26.6	26.4	21.5	14.6	22.5	19.9
Retail store	9.7	8.9	7.0	10.1	8.7	8.9	6.8
Farm-retailer	10.9	17.7	19.4	11.4	5.9	13.6	13.1
Receiver-retailer	---	8.8	13.0	---	4.3	5.5	---
Farm-receiver	---	8.9	6.4	---	1.6	8.1	---
Medium:							
Prices:							
Retail	46.1	47.8	44.6	46.0	45.2	44.1	49.0
To retailers	36.9	39.4	39.3	37.5	36.1	36.6	40.7
To city receivers	---	31.2	28.7	---	31.6	30.6	---
Farm 2/	26.4	22.6	20.5	26.4	28.5	23.1	27.0
Spreads:							
Farm-retail	19.7	25.2	24.1	19.6	16.7	21.0	22.0
Retail store	9.2	8.4	5.3	8.5	9.1	7.5	8.3
Farm-retailer	10.5	16.8	18.8	11.1	7.6	13.5	13.7
Receiver-retailer	---	8.2	10.6	---	4.5	6.0	---
Farm-receiver	---	8.6	8.2	---	3.1	7.5	---

1/ Seattle not included in 10-city averages.

2/ Farm prices are weighted averages of prices reported in major commercial supply areas shipping eggs into the respective cities.

3/ Annual estimate based on data for fewer than 12 months.

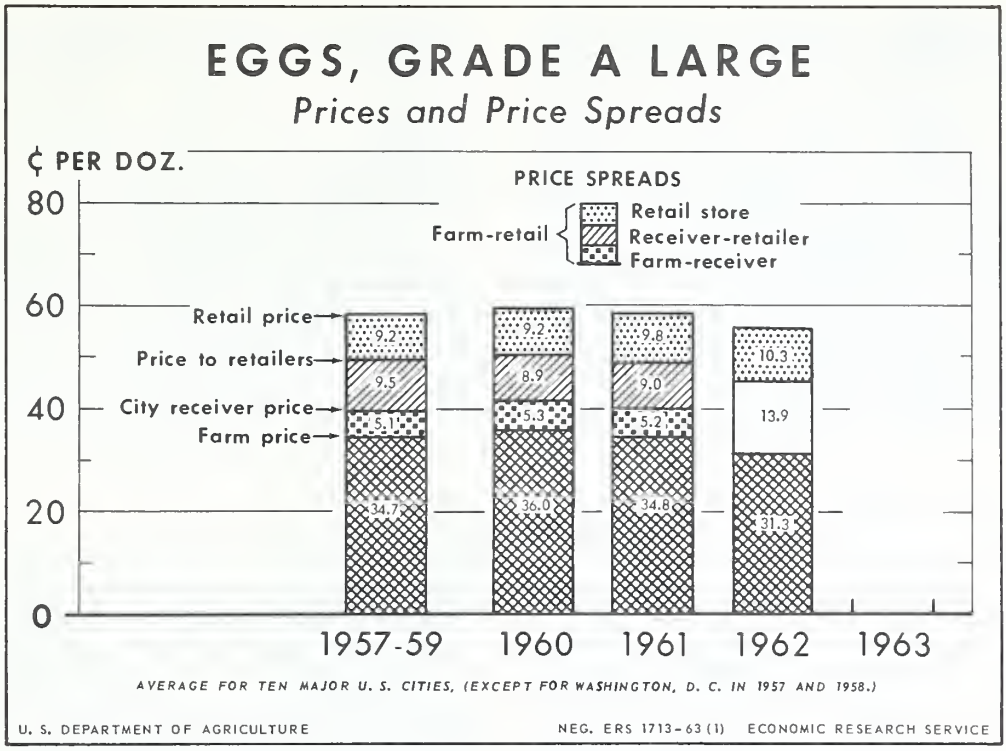

Figure 3

A recent report shows that price spreads for Grade A large eggs sold in New York and produced on farms in nearby areas were several cents a dozen less than spreads for New York shown in table 6. These spreads were based on weighted averages of farm prices reported for eggs produced on farms in Midwestern, Southern, and nearby New York areas. 5/ However, spreads for Midwestern eggs sold in New York were higher than those shown in table 6. The report is a 6-year summary of these series of price spread data for eggs, frying chickens and turkeys, and it shows some of the major cost components of price spreads between selected market levels.

Retail store spreads.-- The 10-city average of retail store spreads widened 0.5 cent from 1961 to 1962. They widened in 6 of the 10 cities and narrowed in the other 4. The biggest increase -- 1.5 cents a dozen -- occurred in St. Louis; Los Angeles had the biggest decrease -- 1.1 cents a dozen. New York continued to have the widest retail store spread and Chicago the narrowest of the 10 cities. Seattle had narrower retail store spreads on large eggs than Chicago. Wider retail store spreads accounted for two-fifths of the increase in the gross spread in Boston; in Los Angeles more than two-thirds of the decline in gross spreads was due to narrower retail store spreads.

5/ Gray, Leo R., and Willis, Ruby J., Price Spreads and Prices for Eggs, Frying Chickens and Turkeys in Selected Cities, 1951-61, USDA, ERS-60, April 1962. This report has a list of selected references pertaining to price spreads and marketing costs for eggs and poultry, including previous reports of this study.

Farm-retailer spreads.--The 10-city average farm-retailer spread -- the spread between prices paid by retailers and prices received by farmers -- narrowed in 1962 from a year earlier. These spreads widened in just 2 of the 10 cities in 1962 -- Boston and Chicago. Farm-retailer spreads among the 10 cities in 1962 were widest in Chicago and continued to be narrowest in Los Angeles. In Atlanta, farm-retailer spreads decreased for the sixth straight year, probably because of the shift in nearby egg production from a deficit to a surplus position. This surplus resulted from expansion of the commercial egg industry in Georgia. The expansion was accompanied by integration, reduced costs of production, and improved marketing technology.

Marketing Spreads for Medium Eggs

Farm-retail spreads for Grade A medium eggs in the 10 cities averaged 22.8 cents a dozen in 1962 -- a decline of 0.3 cent from 1961 and 1.4 cents less than for Grade A large eggs (table 6). Retail store spreads widened and farm-retailer spreads narrowed in 1962.

Frying Chickens

Marketing Spreads in the United States

Retail prices for frying chickens (broilers) marketed in urban areas rose 2.2 cents a pound and farm values increased 1.5 cents in 1962 from 1961 (table 5). 6/ The resulting farm-retail spread was 0.7 cent a pound wider in 1962, and the farm share of the retail dollar spent for frying chickens was 1 percentage point higher than in 1961.

Higher prices were realized for fryers in 1962, even though total broiler production increased about 1 percent to the highest annual total on record. Increased population resulted in a civilian per capita consumption of 25.5 pounds -- the same as in 1961. Although the total volume of young chickens slaughtered under Federal inspection in the first 10 months of 1962 was about the same as in the like period of 1961, increased slaughter in November and December of 1962 resulted in an annual total of 5,986 million pounds, 1.3 percent higher than in 1961. This increase in annual slaughter of young chickens was considerably less than increases of 15.3 percent from 1960 to 1961, and 9.8 percent from 1959 to 1960. This percentage increase in slaughter also was less than the 1.6 percent increase in population from 1961 to 1962. More than half of the net increase in slaughter of frying chickens in 1962 was removed from the domestic market for civilian purchases by increased exports and USDA purchases for the School Lunch Program.

Annual increases of about 15 percent in total exports and about 34 percent in Government purchases of fryers for the School Lunch Program in 1962 contributed to the increased demand and resulting higher prices for frying chickens over a year earlier. 7/ Exports of fryers, however, declined sharply in the second half of 1962, due largely to increased trade barriers by the European Common Market countries. The effects of reduced export outlets were partly offset by sizable USDA purchases for the School Lunch Program especially in November. The net effect of increased total slaughter of young chickens coupled with increased school lunch purchases and reduced exports was a sharp decline in the farm value during November followed by an upturn in December 1962.

6/ The farm value is the average payment received by farmers for a quantity of live fryer equivalent to 1 pound of ready-to-cook frying chicken.

7/ The estimated increase in exports was based on 10 months of reported data, but the increase in Government purchases was based on the total reported for all of 1962. The total of exports and Government purchases increased 20 percent in 1962 and comprised nearly 0.7 percent of the total slaughter of young chickens.

Marketing Spreads in Selected Large Cities

Farm-retail spreads.--Farm-retail spreads on ready-to-cook, Grade A frying chickens in 10 major cities averaged 19.2 cents a pound in 1962, up 0.1 cent from 1961 (table 7). This annual spread was only slightly higher than the narrow range of 18.9 to 19.1 cents reported from 1959-61 (figure 4). The increase in 1962 was the result of offsetting changes in retail store and farm-retailer spreads. Average prices for the 10 cities were higher at all market levels in 1962 than in 1961.

The biggest changes in farm-retail spreads among the 10 cities were declines of 2.8 cents a pound in Los Angeles and 2.6 cents in San Francisco. These decreases resulted in the smallest gross spreads for these 2 cities in the 7 years for which data are available, but San Francisco still had the widest farm-retail spread among the 10 cities.

Retail store spreads.--The retail store spread, which comprised more than half the farm-retail spread, widened in most of the 10 cities from 1961 to 1962 and averaged 10.2 cents a pound in 1962. The biggest increase occurred in New York and Baltimore -- 1.5 cents a pound, and the biggest decrease was in San Francisco. Retail store spreads in San Francisco narrowed 2.5 cents a pound, to the smallest spread recorded for that city since this series began in 1956. Atlanta had the narrowest and Boston the widest retail store spreads of the 10 cities in 1962.

Farm-retailer spreads.--Farm-to-retailer spreads on fryers averaged 9.0 cents a pound for the 10 cities in 1962 -- 0.2 cent less than a year ago (table 7). This spread was within the narrow range of annual averages, 8.7 to 9.2 cents a pound, reported since 1957.

The biggest change in the farm-retailer spread among the 10 cities from 1961

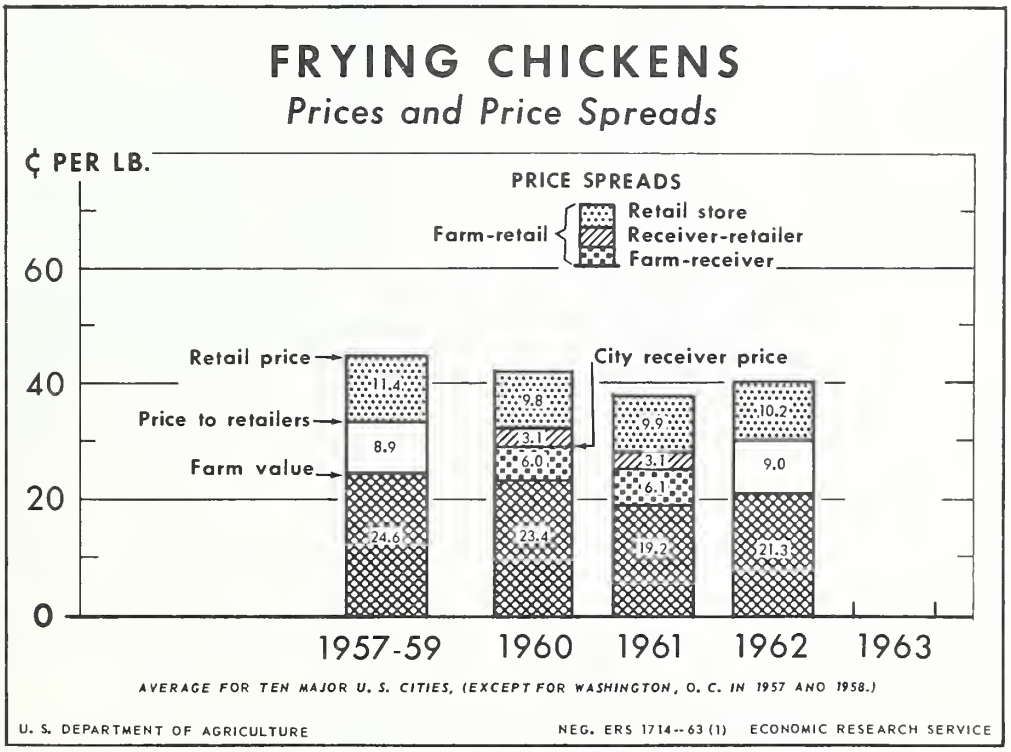

Figure 4

Table 7.--Frying chickens: Prices per pound (ready-to-cook basis) and price spreads at various market levels, 10-city average 1961 and 1962, and selected cities, 1962

Item	10-city average 1/		Boston	New York
	1961	1962		
	Cents	Cents	Cents	Cents
Prices:				
Retail	38.3	40.5	44.2	41.7
To retailers	28.4	30.3	29.5	29.2
To city receivers	25.3	--	28.2	27.0
Farm 2/	19.2	21.3	22.6	21.8
Spreads:				
Farm-retail	19.1	19.2	21.6	19.9
Retail store	9.9	10.2	14.7	12.5
Farm-retailer	9.2	9.0	6.9	7.4
Receiver-retailer	3.1	--	1.3	2.2
Farm-receiver	6.1	--	5.6	5.2

	Baltimore	Washington, D.C.	Atlanta
	Cents	Cents	Cents
Prices:			
Retail	40.2	38.3	37.3
To retailers	31.3	30.0	29.6
To city receivers	28.7	27.3	--
Farm 2/	22.7	21.5	20.1
Spreads:			
Farm-retail	17.5	16.8	17.2
Retail store	8.9	8.3	7.7
Farm-retailer	8.6	8.5	9.5
Receiver-retailer	2.6	2.7	--
Farm-receiver	6.0	5.8	--

	Cleveland	Chicago	St. Louis
	Cents	Cents	Cents
Prices:			
Retail	37.6	38.2	37.2
To retailers	28.3	29.6	29.1
To city receivers	26.6	26.5	26.2
Farm 2/	20.7	20.2	20.2
Spreads:			
Farm-retail	16.9	18.0	17.0
Retail store	9.3	8.6	8.1
Farm-retailer	7.6	9.4	8.9
Receiver-retailer	1.7	3.1	2.9
Farm-receiver	5.9	6.3	6.0

	Los Angeles	San Francisco	Seattle 1/
	Cents	Cents	Cents
Prices:			
Retail	43.6	46.4	50.3
To retailers	32.0	34.1	33.8
To city receivers	27.8	28.6	--
Farm 2/	21.3	21.7	23.7
Spreads:			
Farm-retail	22.3	24.7	26.6
Retail store	11.6	12.3	16.5
Farm-retailer	10.7	12.4	10.1
Receiver-retailer	4.2	5.5	--
Farm-receiver	6.5	6.9	--

1/ Seattle is excluded from the 10-city average.

2/ Farm prices are equivalent values of weighted averages of prices for live fryers and broilers reported in major commercial supply areas shipping frying chickens into the respective cities.

to 1962 occurred in Los Angeles, where it narrowed 3.7 cents a pound. This reduction was mostly in the city receiver-retailer segment of the farm-retailer spread. Structural changes in the marketing system for fryers in Los Angeles contributed to the decline. These changes included: (1) More direct marketing on a specification basis to large-volume retailers, (2) more plentiful supplies of local fryers as a result of recent expansion of the commercial broiler industry in California, and (3) improvements in production and marketing technology.

In Seattle, the 11th city in this study, all prices and price spreads for frying chickens exceeded those in any of the 10 cities (table 7).

Retail price specials.--Retail price specials for fryers were probably less frequent and at a higher price level in 1962 than in 1961. A recent study of retail price specials for fryers in selected cities indicated that retail prices of fryers advertised in newspapers averaged about 11 cents below retail prices reported by the Bureau of Labor Statistics for these cities. 8/ For example, prices reported by the BLS for 10 cities averaged 38.3 cents a pound in 1961, but typical prices advertised in newspapers by retailers averaged 27.0 cents. This report also indicated retail store spreads were drastically lower during weeks of special sales than during nonsale weeks. Specials have been helpful in moving large volumes of fryers resulting from increased production in recent years.

8/ Gray, Leo R., Retail Price Specials for Frying Chickens in Selected Cities, 1960-61, USDA, ERS-101, January 1963.